

Message Text

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TAGS: EFIN, EIND, EPAP, SW

SUBJECT: PULP INVENTORY: GOS SUBSIDIZATION OF INVENTORY BUILDUP

REF: A. STATE 251750

B. STOCKHOLM A-262

1. UNDER PROVISIONS OF LAW SFS 1975:475, GOS ON JUNE 26, 1975, AUTHORIZED LABOR MARKET BOARD TO APPROVE, ON CASE-BY-CASE BASIS, GOVERNMENT SUBSIDIES TO STIMULATE INVENTORY BUILDUP AMONG ALL MANUFACTURING FIRMS DURING 12-MONTH PERIOD BEGINNING JULY 1, 1975. PRINCIPAL PURPOSE OF SUBSIDY, WHICH IS ANTI-RECESSIONARY MEASURE, IS TO SECURE EMPLOYMENT AT LEVELS PREVAILING ON JUNE 1, 1975, AND ABSOLUTE CONDITION OF OBTAINING SUBSIDY IS THAT APPLICANT FIRM DOES NOT LAY OFF ANY EMPLOYEES DURING 12-MONTH PERIOD IN QUESTION.

2. SUBSIDIES, WHICH WILL BE PAID UNDER LABOR MINISTRY'S FY 1977 BUDGET, WILL CORRESPOND TO TWENTY PERCENT OF COST OF INVENTORY BUILDUP LEVEL EXISTING ON JULY 1, 1975.

3. IN ORDER TO BE ELIGIBLE FOR SUBSIDIES, FIRMS MUST NOT ONLY SHOW THAT EMPLOYMENT HAS BEEN MAINTAINED BUT ALSO THAT THEY HAVE NOT UTILIZED INVESTMENT FUND RESERVES OR SPECIAL INVESTMENT FUNDS FOR INVENTORY BUILDUP OR DEPRECIATION, OR FOR PURCHASING OR MANUFACTURING GOODS.

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4. REGULATIONS DO NOT LIMIT SUBSIDIES TO FIRMS HAVING MORE

THAN CERTAIN NUMBER OF EMPLOYEES, NOR DO THEY LIMIT THEM TO FIRMS ACTUALLY PRODUCING THE SEMIMANUFACTURES OR FINISHED GOODS. PROVIDED THE ACTUAL MANUFACTURER FULFILLS ALL OTHER REQUIREMENTS, A WHOLESALER WHO HAS BUILT UP HIS INVENTORIES THROUGH DELIVERIES FROM THAT MANUFACTURER MAY ALSO BE ELIGIBLE FOR SUBSIDY.

5. FOR SAWMILLS, THE STIPULATED PERIOD OF INVENTORY BUILDUP IS JANUARY 1 TO DECEMBER 31, 1975. OTHER PERIODS MAY BE ALLOWED IN SPECIAL CASES.

6. MEASURE IS SIMILAR TO THAT EMPLOYED IN RECESSIONARY PERIOD 1971-1973. EVALUATION OF EARLIER SUBSIDIZATION PERIOD WAS FAVORABLE AS EMPLOYMENT SUPPORT. THEN TOTAL OF 225 APPLICATIONS FOR INVENTORY BUILDUP SUBSIDY WERE APPROVED AND TOTAL OF SKR 144 MILLION (ABOUT \$33 MILLION) WAS PAID OUT TO FIRMS FOR BUILDUP AMOUNTING TO SOME \$165 MILLION. LARGEST BUILDUP WAS NOTED IN METALWORKING AND ENGINEERING SECTOR (\$76 MILLION) AND PULP AND PAPER SECTOR (32 MILLION). MOST APPLICATIONS WERE MADE BY LARGE FIRMS.

7. THERE ARE NO ESTIMATES OF WHAT TOTAL SUBSIDY BILL WILL AMOUNT TO FOR PERIOD OF CURRENT MEASURE.

8. COMMENT. ACCORDING TO GOS SURVEY OF INDUSTRY OCTOBER 1975, NEARLY ALL SWEDISH PULP MANUFACTURERS BELIEVE THEIR INVENTORIES TO BE TOO LARGE AS CONSEQUENCE OF SHARPLY FALLEN ORDERS. FURTHER CUTS IN PRODUCTION VOLUME PLANNED FOR FOURTH QUARTER 1975. FIRMS EXPECT ZERO GROWTH IN PRODUCTION BETWEEN SECOND HALF 1975 AND FIRST HALF 1976.
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